

City of Pilot Station

Assessment of Management Capacity Indicators

Eli Jacobson, LGS
Rural Utility Business Advisor (RUBA) Program
Division of Community and Regional Affairs
Department of Commerce, State of Alaska
12/20/2013

Introduction

The City of Pilot Station report was by Rural Utility Business Advisor program staff Eli Jacobson as a requirement for a proposed grant-funded sanitation project. The report was completed with the voluntary assistance of the utility staff and based on information provided to the RUBA program. Specific documents provided by the utility staff are in the regional office for viewing if requested.

The goal of the RUBA Program is to help small communities implement utility management practices that will improve the utility's ability to provide safe drinking water to their communities on a sustainable basis. The RUBA assessment evaluates essential and sustainable indicators necessary for the managerial and financial health of the utility. These indicators are organized under the following sections:

- Utility Finance
- Accounting Systems
- Tax Problems
- Personnel System
- Organizational Management
- Operation of Utility

Essential Indicators identify policies and practices that are critical to the short-term operation of a utility. ***Sustainable Indicators*** identify policies and practices that make a utility cost-effective to operate and increase the likelihood of long-term financial success.

The Essential Recommendations are limited to those items needed to meet deficient essential indicators. Only the essential indicators are required to be met under the grant conditions. The Sustainable Recommendations are intended to improve cost effectiveness and sustainability of the utility.

The City of Pilot Station operates and manages the following utility services:

- Water/wastewater utility

Capacity Indicators

On 10/29/2013, RUBA staff Eli Jacobson met with City of Pilot Station staff to complete a RUBA Assessment of Management. City of Pilot Station staff provided documentation supporting the conclusions in this report. Specific documents used in this report included:

- Notes from the RUBA assessment field survey form.
- The FY13 budget.
- Monthly financial reports from May through September 2013.
- Authorization to Request Federal Tax Information covering July through September 2013.
- Email correspondence with Alaska Village Electrical Cooperative.
- Email correspondence with the State Department of Labor.
- July-August 2013 Lien Watch A Review of Small Community Liens.
http://commerce.alaska.gov/dnn/Portals/4/pub/LienWatch_Sept-Oct_2013.pdf
- Employers Notice of Insurance (Alaska Municipal League Joint Insurance Association)
- Copies of the city water wastewater ordinance and personnel policy.
- Job descriptions for the city clerk and utility clerk.
- Significant Non-Compliers online list dated October 2013.
<http://dec.alaska.gov/eh/docs/dw/July2013ETT-Web-8-9-13.pdf>

Finances

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | All revenues and expenses for the utility are listed in the utility budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has adopted a balanced realistic budget. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Monthly financial reports are prepared and submitted to the policy making board. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is current in paying all water/wastewater electric bills. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has on hand a year's adequate fuel supply or it has a financial plan to purchase an adequate supply. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is receiving revenues (user fees or other sources) sufficient to cover operating expenses. |

Sustainable Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|--|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is receiving revenues (user fees or other sources sufficient to cover operating expenses and Repair & Replacement (R) costs. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | YTD revenues are at a level equal to or above those budgeted. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | YTD expenditures are at a level equal to or below those budgeted. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | A monthly manager's report is prepared. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget amendments are completed and adopted as necessary. |

The City of Pilot Station has an adopted FY13 budget. The utility revenue is \$124,785 and the expenditures are \$151,500. However, the overall city budget revenue is \$1,168,684 with expenditures only equaling \$927,433. Therefore, with subsidization from the city budget, the utility budget is balanced and realistic. Monthly financial reports are submitted to the governing body and the meeting minutes reflect this. On September 20, 2013 Alaska Village Electrical Cooperative communicated that the City of Pilot Station is current on electric bills. The clerk said the city just received 11,000 gallons of heating fuel and this gives the utility a one-year supply. The city has a repair and replacement fund established with a current balance of \$25,000. Year-to-date revenues are above budget and year-to-date expenditures are below budget. Monthly manager's reports are submitted to the council and recorded in the meeting minutes. The policy making body meets the first Thursday of each month and budget amendments are adopted as necessary.

Accounting Systems

Essential Indicators

Yes No

- ☒ ☐ The utility has adopted a collection policy and actively follows it.
- ☒ ☐ The utility bills customers on a regular basis.
- ☒ ☐ An accounts receivable system is in place which tracks customers and reports past due accounts and amounts.
- ☒ ☐ An accounts payable system is in place.
- ☒ ☐ The payroll system correctly calculates payroll and keeps records.
- ☒ ☐ A cash receipt system is in place that records incoming money and how it was spent.
- ☒ ☐ The utility has a cash disbursement system that records how money was spent.

Sustainable Indicators

Yes No

- ☒ ☐ A chart of accounts is used that identifies categories in a reasonable, usable manner.
- ☒ ☐ Monthly bank reconciliations have been completed for all utility accounts.
- ☒ ☐ The utility has a purchasing system that requires approval prior to purchase, and the approval process compares proposed purchases to budgeted amounts.

The City of Pilot Station has an adopted collection policy. Billing statements are sent to customers on the first of the month. Ledgers are used to track customer accounts and these ledgers are then entered into QuickBooks. All Pilot Station vendor files are kept in a file cabinet. The files record how much money is being paid to each vendor monthly. QuickBooks is used for payroll. All incoming and outgoing money is recorded on ledgers and then also entered into QuickBooks. The city's chart of accounts is in QuickBooks. The city clerk reconciles the bank accounts monthly. The city clerk can approve purchase of general office supplies. The mayor approves all other purchases.

Tax Problems

Essential Indicators

Yes No

- ☒ ☐ The utility has a system to accurately calculate, track, and report payroll tax liabilities.
- ☒ ☐ The utility is current on filing tax reports.
- ☒ ☐ The utility is current on making tax deposits.
- ☒ ☐ If there are any past due tax liabilities or recorded tax liens, a lien release has been issued or a repayment agreement has been signed and repayments are current.

On November 7, 2013, the IRS deemed the City of Pilot Station as compliant with federal tax requirements. On December 17, 2013 the state Department of Labor verified that the City of Pilot Station is current on their Employment Security Contributions account. The City of Pilot Station is not in the Lien Watch dated September-October 2013.

Personnel System

Essential Indicators

Yes No

- ☒ ☐ The utility has a posted workers compensation insurance policy in effect.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted and uses a Personnel Policy, which has been reviewed by an attorney, AML or Commerce for topics and language.
- ☒ ☐ The utility has adequate written job descriptions for all positions.
- ☐ ☒ The utility has adopted and follows a written personnel evaluation process that ties the job description to the evaluation.
- ☐ ☒ The utility has an adequate written hiring process.
- ☐ ☒ The utility has personnel folders on every employee that contain at least: I-9, Job Application and Letter of Acceptance.
- ☒ ☐ The utility has a probationary period for new hires that includes orientation, job training/oversight, and evaluations.
- ☒ ☐ The utility provides training opportunities to staff as needed and available.

Pilot Station's workers compensation insurance is through the Alaska Municipal League Joint Insurance Association for the period July 1, 2013 through July 1, 2014. A personnel policy has been adopted and is in use. The utility has written job descriptions for all positions. Copies of the city clerk and utility clerk positions were provided. The utility does not have a written evaluation process or a written hiring process. Personnel folders do not include letters of acceptance for every employee. The utility has a 90-day probationary period with an evaluation at the end. On-the-job training and additional training opportunities are provided as necessary. Staff are encouraged to pursue further training opportunities.

Organizational Management

Essential Indicators

Yes No

- ☒ ☐ The entity that owns the utility is known; the entity that will operate the utility is set.
- ☒ ☐ The policy making body is active in policy making of the utility.
- ☒ ☐ The policy making body enforces utility policy.
- ☒ ☐ The utility has an adequately trained manager.
- ☒ ☐ The utility has an adequately trained bookkeeper.
- ☒ ☐ The utility has an adequately trained operator or operators.
- ☒ ☐ The utility has adopted the necessary ordinances (or rules and regulations) necessary to give it the authority to operate.

Sustainable Indicators

Yes No

- ☒ ☐ The utility has adopted an organizational chart that reflects the current structure.
- ☒ ☐ The policy making body meets as required.
- ☒ ☐ The utility complies with the open meeting act for all meetings.

The City of Pilot Station owns the utility and the city council is the policy making body. The policy is enforced by denying customers service that have not paid in over 30 days. The mayor performs managerial duties. The city clerk has 29 years experience. The utility clerk performs bookkeeping duties. The mayor is also the water operator and has five years experience. The ordinances provide the city staff the authority they need for operation. The adopted

organizational chart has position titles but no names. The policy making body meets the first Thursday of each month. The city clerk posts meeting notices in three public places five days in advance.

Operation of Utility

Essential Indicators

Yes No

- | | | |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility operator(s) are actively working towards necessary certification. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has a preventative maintenance plan developed for the existing sanitation facilities. |

Sustainable Indicators

Yes No

- | | | |
|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The manager receives a monthly O&M report from the utility operator and routinely "spot checks" the facilities to see that the maintenance items are being completed. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility has a safety manual and holds safety meetings. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Utility facilities have not suffered any major problems/outages due to management issues that are unresolved. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is operating at the level of service that was proposed. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The operator provides status reports to the manager on a routine basis. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility has completed and distributed its "Consumer Confidence Report". |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | The utility is not on the "Significant Non-Complier" (SNC) list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains an inventory control list. |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> | The utility maintains a critical spare parts list. |

The mayor is the utility operator. The operator has been sent to training and has plans for additional training. The utility has a written preventative maintenance plan. The utility does not have a safety manual or hold regular safety meetings. The utility is functioning as intended and no major outages have occurred. A CCR has been posted. The city is not on the SNC list dated October 2013. The utility does not have an inventory control, or critical spare parts list.

Essential Recommendations

The City of Pilot Station has met all of the essential capacity indicators. The City of Pilot Station needs to diligently continue to operate in the efficient and effective manner that meets all essential capacity indicators.

Sustainable Recommendations

The City of Pilot Station has not met all of the sustainable capacity indicators. The City of Pilot Station can work to improve sustainable indicators as follows:

- Adopt and follow a written personnel evaluation process that ties the job description to the evaluation.
- Create an adequate written hiring process.
- Ensure that personnel folders on every employee contain at least: I-9, Job Application and Letter of Acceptance.
- Obtain a safety manual for the utility and hold safety meetings.
- Maintain an inventory control list.
- Maintain a critical spare parts list.

Conclusion and Next Step

By implementing the above recommendations, the City of Pilot Station will put itself into position to better meet unanticipated financial costs and ensure that employees are aware of their conditions of employment.

The City of Pilot Station staff was open and helpful with providing information to complete this assessment. They realize the importance of community health, financial stability, effective utility management practice and sustainability.

RUBA staff is available to provide assistance for any sustainable capacity indicators that are not being met.